

**State Board of Education
January 19, 2010
Item J**

Team: Student Support Team

Update Topic: High/low Special Education Spending Report

Statutory Authority: 16 VSA §2974; Act 82 of 2007

Background Information:

16 V.S.A. §2974 defines “high spending” as a district that “spent at least 20 percent more than the state wide average of special education eligible costs per average daily membership.” It is worth noting that the statute refers to “districts” and not “supervisory unions”. We have calculated this at both the SU and town/district level. It is also worth noting that the denominator for calculating high spending is ADM, not child count. Use of ADM recognizes that, to some extent, the cost of special education is a product of the success or failure of the general education program and therefore a more global measure, such as ADM, is the appropriate denominator.

The law has several other pertinent provisions. It allows districts the opportunity to justify high spending by applying for a waiver. This provision anticipates there may be small districts where the cost of a single child will put spending above the threshold. Once a district is designated high spending based on the annual expenditure report, the district has one year to develop a spending reduction plan and two years to implement the plan. The law requires districts to “show progress” towards spending reduction during the implementation years.

Purpose of Update: Inform the State Board on implementation of Section 10 of Act 82 of 2007

Cost Implication: NA at this time

Staff Available: Karin Edwards, J. Douglas Dows and Margaret Schelley

Report on Status of High Spending Special Education School Districts - 2009 (Act 82 of 2007, §10)

January 19, 2010

Introduction

16 V.S.A. §2974 defines “high spending” as a district that “spent at least 20 percent more than the state wide average of special education eligible costs per average daily membership.” It is worth noting that the statute refers to “districts” and not “supervisory unions”. We have calculated this at both the SU and town/district level. It is also worth noting that the denominator for calculating high spending is ADM, not child count. Use of ADM recognizes that, to some extent, the cost of special education is a product of the success or failure of the general education program and therefore a more global measure, such as ADM, is the appropriate denominator.

I. FY2009 Data

A. Number of Districts Identified based on FY2009 Expenditure Data: 62 (67 in FY08)

Twelve of the 62 identified districts were new to the list this year. Five of the twelve new districts have average daily membership (ADM) of less than 100 (small school designation) and twenty eight districts had above threshold spending of less than \$50,000 (extraordinary cost threshold). Thirty-one districts have been high spending for each of the three years under the revised law (FY07-FY09).

Twenty-one of the districts identified last year dropped off the list because they were below the threshold (20% above the statewide average). Twenty-six more moved closer to the statewide average but not enough to drop off the list. Four additional districts *reduced* spending but moved further from the statewide average due to decreases in ADM. All together 51 of 67 (76%) FY08 districts showed improvement.

B. Percentage Increase in formula spending from FY2008 to FY2009: 3.3% (FY08 6.0%)

The average increase in spending from FY03-FY07 was 6.8%

C. Average FY 2009 Formula cost per ADM student: \$2,598 (FY 2008: \$2,459)

This represents on 5.6% (FY2008: 6.0%) increase in per ADM student cost. A portion of the per student increase is due to a 2.2% drop in statewide ADM.

D. Total above Threshold Spending for FY2009: \$6,898,988 (FY2008: \$8,389,206)

The highest amount of above threshold spending for a single district was \$728,364 (highest single district above threshold spending in FY2008 = \$939,420).

E. Number of FY2009 Districts Requesting a Waiver (due to justifiable overspending): NA

II. FY2008 Data

A. Number of Districts Identified based on FY2008 Expenditure Data: 67 (64 in FY07)

Seventeen of the 67 identified districts were new to the list this year. Eight of the seventeen have average daily membership of less than 100 (small school designation). Twenty-six districts had above threshold spending of less than \$50,000 (extraordinary cost threshold).

Fourteen of the districts identified last year dropped off the list because they were below the threshold (20% above the statewide average). Thirty more moved closer to the statewide average but not enough to drop off the list. One additional district reduced spending but moved further from the statewide average due to a dramatic decrease in ADM (25% reduction). All together 45 of 64 (70%) districts showed improvement.

B. Percentage Increase in formula spending from FY2007 to FY2008: 6%

The average increase in spending from FY03-FY07 was 6.8%

C. Average FY 2007 Formula cost per ADM student: \$2,459 (FY 2007: \$2,275)

This represents an 8% increase in per ADM student cost. A portion of the per student increase is due to a 2% drop in statewide ADM.

D. Total above Threshold Spending for FY2008: \$8,389,206 (FY2007: \$9,821,421)

The highest amount of above threshold spending for a single district was \$939,420 (highest single district spender in FY2007 = \$1.35 million).

E. Number of FY2008 Districts Requesting a Waiver (due to justifiable overspending): 27

Twenty-four waivers were approved.

III. FY2007 Data

A. Number of Districts Identified Based on FY2007 Expenditure Data: 65/64

Charleston was subsequently removed from the list after corrected ADM data was submitted to the department. Final count = 64

B. Average FY 2007 Formula cost per ADM student: \$2,275

C. Total above Threshold Spending for FY2007: \$9,821,421

D. Number of FY2007 Districts Requesting a Waiver (due to justifiable overspending): 44

- 20 waivers were approved (including one partial approval). Approval means the district does not need to submit a spending reduction plan for the 2008-2009 and 2009-2010 school years.
- Four districts in the Bennington Rutland Supervisory Union were subsequently included on the waiver list pending a review by the department regarding responsibility for spending in districts that do not operate schools. This is also true for two districts, Baltimore and St. George, that did not submit waiver requests but also do not operate schools.

C. Number of Spending Reduction Plans Submitted to the Department: 34

There are four plans outstanding.

D. Number of Districts Provided On-site Consultation: 30

E. Narrative:

The year began with introductory presentations to groups of special educators, department employees and education leadership. These presentations covered the changes in the law, a description of the implementation process and presentation of data on the nature and magnitude of high spending for the last ten years. There was, quite frankly, a great deal of skepticism on behalf of special education administrators on the efficacy of reducing special education spending. Looking at the data helped to resolve their skepticism.

After the initial skepticism, on-site district meetings were received more favorably. The goal for each meeting was to leave the district staff with the feeling that however challenging their overspending, the challenge was not insurmountable. That by looking at the cost driver data, they could figure out what was driving high spending in their district. And that by decomposing the decision making process, they could figure out how to bring spending under control.

Two additional thoughts: First, the law is good law. The provisions of the law are fair. I did not have difficulty defending the statute. The two year “soft landing” implementation and the possibility of waiver are key elements of the fairness of the law.

Second, for most of the 38 remaining districts required to produce remediation plans, reducing high spending may be achieved through close scrutiny of the decision making process. Those districts’ spending is such that budgetary approaches will work to reduce spending. For a half a dozen or so districts, the high spending has been going on for so long and is so deeply rooted in the culture of the district, more sophisticated approaches to reducing spending will be required.